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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 004113

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SUBJECT: LY SPEAKER WANG JIN-PYNG ON DEFENSE BUDGET AND
DOMESTIC POLITICS

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

¶1. (C) Summary: Legislative Yuan (LY) Speaker Wang Jin-pyng discussed progress on the defense budget and Taiwan's post-election political landscape with the Director on December 12. Wang suggested that the 2007 annual defense budget is likely to pass during the current legislative session, with all three major U.S. weapons systems likely to be approved. Regarding the recent mayoral elections, Wang charged that the DPP narrowly won the Kaohsiung race through vote-buying, and he characterized the outcome as a personal defeat for KMT Chairman Ma Ying-jeou, suggesting Ma's leadership ability is now coming under serious question. End Summary.

¶2. (C) Legislative Yuan Speaker Wang Jin-pyng discussed progress on the defense budget and Taiwan's post-election political landscape with the Director on December 12. Wang assured the Director that the 2007 annual defense budget is likely to pass during the current legislative session. He expects all three major U.S. arms procurement items (P-3C anti-submarine aircraft, PAC-II missile upgrades, and a submarine feasibility study) to be approved. He added that the KMT will also seek to move the 2006 supplemental budget package through the LY Procedural Committee next week. (Note: The KMT and PFP blocked the supplemental package for the 68th time yesterday. End Note.) Wang indicated that the proposal in the 2007 defense budget to purchase F-16 fighters has not yet been discussed in the LY or between MND and the LY. The general understanding, he said, is that the LY will begin discussion of the F-16 proposal only after MND receives Price and Availability data from the USG. The Director made it clear that Washington understands this arrangement.

¶3. (C) Turning to the December 9 mayoral elections, Wang charged that the DPP won the narrow contest in Kaohsiung through vote-buying. Moreover, he claimed that the DPP fabricated vote-buying charges against the KMT on the eve of the election, asserting that the KMT "did not buy one single vote." He said that the KMT will contest the Kaohsiung election in court.

¶4. (C) Looking toward the future, however, Wang indicated that the KMT was also reassessing its own strengths and

weakness in light of the Kaohsiung loss. Wang suggested that the defeat has raised many questions about KMT Chairman Ma Ying-jeou's leadership ability. Ma, the Kaohsiung native Wang told the Director, simply does not understand Taiwan or the Taiwanese people. While Ma has lived in Taiwan for many years, Wang noted, almost all of his time has been spent in Taipei. Rather, what the KMT needs to compete with the DPP is a leader who is a Taiwanese (bentu) backed by mainlanders.

Wang argued that Ma is just too much of a lightning rod for the DPP. The KMT needs a candidate who is not so divisive and who can then move ahead to push forward cross-strait reconciliation. When the DIR suggested that it appears that Wang is just that candidate, Wang laughed and said that there were many other Taiwanese in the KMT party, besides himself.

15. (C) Wang criticized PFP Chairman James Soong for his abysmal performance in the Taipei mayoral race. Soong, he said, had run in order to support the other members of his party in their run for the city council. Wang told the Director that Soong is angry at KMT Chairman Ma Ying-jeou for publicizing an election eve meeting between the two men during which Soong sought concessions from the KMT in return for PFP cooperation. Soong wanted the KMT to offer one of the two Taipei vice mayoral positions and the Keelung mayoral position to the PFP in addition to some single-member districts in the upcoming 2007 LY election. (Note: The press is now reporting that it was Soong's own right-hand advisor Vincent Chang who leaked the Ma-Soong meeting to the press, reports that Chang has thus far not denied. End Note.)

16. (C) In response to the Director's query about media reports, Wang denied that he had immediate plans to travel to mainland China. Nonetheless, he said, he would be willing to go if there were a substantive agenda for him to negotiate.

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He said he was last there over 14 years ago. Noting that Taipei and Beijing are likely to reach an agreement on PRC tourist travel to Taiwan by the end of December, Wang said the next item on the cross-strait agenda would be expansion and regularization of charter flights beyond the current four annual holiday periods, entailing both "more charter flights and longer routes." When the Director asked if such an agreement would require Taiwan government approval, Wang responded "in strict confidence" that the government had already discussed this issue with him, and suggested the Director raise this with NSC Secretary-General Chiou in their meeting the next day, December 13. (Note: Chiou indeed confirmed that the government has discussed such a trip with the LY Speaker, but added that China may balk at anything that could be seen as favoring the Chen government. End Note.)

Comment

17. (C) The KMT performance in the Taipei and Kaohsiung mayor elections, especially the loss in Kaohsiung, has been portrayed locally as a disappointment and personal setback for KMT Chairman Ma, who had painted the election as a referendum on his integrity. Wang is clearly relishing seeing his erstwhile party rival come under criticism and may be maneuvering to gain the support of former Chairman Lien Chan to contest Ma's leadership within the KMT.

YOUNG